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FM AMEMBASSY NEW DELHI

TO RUEHC/SECSTATE WASHDC IMMEDIATE 0879

INFO RUEHXK/ARAB ISRAELI COLLECTIVE

RUCNIRA/IRAN COLLECTIVE

RUCNISL/ISLAMIC COLLECTIVE

RUEHBJ/AMEMBASSY BEIJING 4479

RUEHLM/AMEMBASSY COLOMBO 7918

RUEHKA/AMEMBASSY DHAKA 7987

RUEHIL/AMEMBASSY ISLAMABAD 1056

RUEHBUL/AMEMBASSY KABUL 3718

RUEHKT/AMEMBASSY KATHMANDU 8640

RUEHLO/AMEMBASSY LONDON 2090

RUEHMO/AMEMBASSY MOSCOW 0625

RUEHTV/AMEMBASSY TEL AVIV 0573

RUEHKO/AMEMBASSY TOKYO 4113

RUEHCI/AMCONSUL CALCUTTA 7419

RUEHCG/AMCONSUL CHENNAI 7553

RUEHKP/AMCONSUL KARACHI 6069

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S E C R E T SECTION 01 OF 02 NEW DELHI 007997

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SUBJECT: INDIA REBUILDING ITS RELATIONSHIP WITH ISRAEL

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Classified By: DCM Geoff Pyatt for Reasons 1.4 (B, D)

¶1. (S) Summary: In a November 24 conversation, Israeli DCM Yoed Magen described to us a renewed positive trend in India's relationship with Israel. Magen told the DCM that Israeli National Security Advisor Ilan Mizrahi is coming to Delhi from November 27th through 30th for a high level intelligence exchange with India. Deputy Prime Minister and Minister of Industry, Commerce, and Employment Eli Yishai is coming to India during the same week. A visit by Foreign Minister Mukherjee to Israel is also in the works. Magen pointed to huge growth in Israeli investment in India, which may be contributing to a warming relationship. He was very optimistic about the prospects for cooperation with India, saying that the bilateral chill that reached a low point last July was beginning to thaw. End Summary.

Warming Relationship

¶2. (S) Magen commented that it was good news for Israel that Pranab Mukherjee has been appointed as India's Foreign Minister. As Defense Minister Mukherjee was exposed to the depth of strategic cooperation between India and Israel, and Magen expressed optimism that it would be easier for Israelis to work with him. He also revealed that Israel is working on a Mukherjee visit to Jerusalem, which would be the first by

an Indian Foreign Minister since Yaswant Sinha's visit during the BJP administration. He was similarly encouraged by the appointment as Foreign Secretary former Ambassador to Tel Aviv SS Menon and the early retirement of notoriously anti-Israel Secretary East Rajiv Sikri.

¶3. (S) Magen said that Israel was preparing to hold a Counter-Terrorism Joint Working group with India in January. A discussion on the first agenda item, the Middle East and Iran, would take place between Israeli National Security Advisor Mizrahi and Indian National Security Advisor Narayanan, sometime between November 27th and 30th. He commented that in Israel's case, the Head of the National Security Council was weakened by the strength of the Mosad and Israeli intelligence agencies, which left the NSC with little more than broad strategic issues to manage and made coordination with Narayanan problematic. The second agenda item was a series of professional seminars on counter-terrorism issues, dealing with such issues as money laundering and terrorism finance. Although they would like to hold these seminars ideally three to four times a year, it was hard to set them up and the GOI found that they could typically only hold them once a year.

Concerns About the Middle East

¶4. (S) Reflecting on recent USG discussion with the GOI, DCM warned that one of the issues that Israel may face in talks with India about the Middle East is New Delhi's fear that the sectarian conflict in Iraq will provoke India's conflict between India's Shia and Sunni Muslim population. In this context, India fears a precipitous US military withdrawal from Iraq.

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Increasing Trade Ties

¶5. (S) Magen also discussed the Israeli Commerce Minister's visit to India during the week of November 27th. He commented that Commerce Minister Yishai was the leader of the Israeli Ultra Orthodox Shas party. His schedule would include one day in Goa, one day in Delhi, one day in Mumbai, and one day in Gujarat. Magen said Yishai will not meet Gujarati Chief Minister Narendra Modi during his visit to that state, despite an invitation to do so. (Comment: Both leaders are controversial figures. Modi has been implicated by human rights groups in the 2002 killings of Muslims in communal riots in Gujarat, and Yishai was criticized for his comments during Israel's bombing in Lebanon in July 2006. End comment.) Magen revealed that Israeli investment in India was rising quickly, with overall trade at \$700 million, when calculated without the diamond trade. He said that many large Israeli real estate companies were lining up to invest in India, with proposals totaling \$300 million in West Bengal and \$200 million in Bangalore.

Patching Things Up

¶6. (S) Comment: India's relationship with Israel hit a low point during the summer of 2006 in response to Israel's intervention against Hizballah. India's Shia Muslim community is a very powerful vote bank in Lucknow, which has a significant impact on upcoming state elections in Uttar Pradesh. Elections in Uttar Pradesh, in turn, are seen as a harbinger of the Congress Party's ability to keep control of the central government in the next round of Parliamentary elections. Congress leaders, therefore, demonstrated outrage over the Lebanon conflict publicly in July 2006, even as very broad and sensitive relations between the two countries behind the scenes continued. India and Israel are working now to repair the public relationship, although India is likely to remain publicly cautious, at least in the short

term, until the UP elections are over.
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